

Unit Comparability Analysis

If you have two or more units, the property owner must use this process to calculate the amount of HOME funds the project can receive. Then, use the following methods to do a unit comparability analysis on both eligible and non-eligible units:

Step 1. First, determine the number of units eligible based on income of tenants.

Step 2. Organize data within the table by the number of bedrooms in each unit. For example, list all one-bedroom units first, followed by two-bedroom units, etc.

Apt. number or other unit identifier	Number of Bedrooms	Unit Square Footage	Are Amenities Comparable? (Y/N)

Step 3. Determine if amenities among units with the same number of bedrooms are comparable.

If the amenities are comparable, go to step 4.

If the amenities are not comparable, go to step 6.

When determining amenity comparability, exclude from the consideration amenities that are paid for by the tenant to the owner as an addition to rental of the living unit itself; for example, a garage if it is optional.

Step 4. Determine the square footage area of each unit. If the largest unit is no more than the greater of 50 square feet or 5% larger than the smallest unit, the units are considered to be comparable in terms of area. For example, if the largest one-bedroom unit has 800 square feet and the smallest 700 square feet, the larger unit is 14.3% larger than the smallest and more than 50 square feet larger, so the units are not comparable in area. If the smallest unit is 700 square feet and the largest is 750 square feet, the largest is 7.1% larger but no more than 50 feet larger than the smallest unit, so the units are comparable in area.

Repeat this comparison for other units with the same number of bedrooms.

If all units with the same number of bedrooms are comparable in area, go to step 5.

If they are not comparable in area, go to step 6.

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Step 5. You have determined that all units with the same number of bedrooms are comparable in terms of area, and amenities.

(a) Designation of HOME-assisted Units and Cost Allocation. The owner may select to have the HOME units be either fixed or floating. If floating, HOME tenants may float up to larger units, but they may not float down to smaller units. (REMINDER: In order to use the floating method, the HOME assisted units must be comparable to the non-HOME assisted units.) If fixed, the designated units must be occupied by tenants who meet the income and rent limitations of the program for the compliance period.

In a mixed-income development (that is, not all units meet the affordability requirements), you must determine whether the HOME-assisted units are “fixed” or “floating”. You must carefully consider these options and the effects of each.

Fixed Units: The HOME-assisted units remain the same through the Effective Period. Only the HOME-assisted units must be maintained to applicable state and local codes, rehabilitation standards, ordinances, HQS, zoning ordinances and be lead safe at completion and through the Effective Period.

Floating Units: The HOME-assisted units may change during the Effective Period so long as the total number of HOME-assisted units, in the development, remains the same and the substituted units are comparable in size, features, and number of bedrooms to the originally designated units. All units in the development must be maintained to applicable state and local codes, rehabilitation standards, ordinances, HQS, zoning ordinances and be lead safe at completion and through the Effective Period.

(b) Determine which units are occupied by income-eligible tenants. HOME may only pay a share of HOME-eligible costs that is proportionate to the number of units that are occupied by HOME income-eligible tenants and designated as “HOME units.” Determine the per unit HOME costs by the “Comparable Unit Method.”

Step 6. You have determined that the units are not comparable. The HOME assisted units must be fixed, not floating. Determine the per unit HOME costs by the “Non Comparable Unit Method.”

Comparable Unit Method of Cost Allocation

1. Determine the HOME-eligible costs of the project	\$
2. Determine the percentage of units that will be designated "HOME units"	%
3. Multiply lines 1 and 2	\$
4. Number of designated "HOME units"	
5. Multiply Line 4 by \$14,000 per unit limit	\$
6. Maximum HOME assistance. Take the lesser of Lines 3 and 5	\$
7. Gap financing required. Subtract line 6 from line 1.	\$

Instructions for Comparable Unit Method worksheet

1. Refer to the lists of Eligible and Ineligible costs in Chapter 3 of your Administrator's Manual. These costs may be less than the total development cost.
2. Use Tenant Surveys to calculate the incomes of your tenant households and determine what percent of your units are income-eligible, meet HOME rent limitations, and will be designated as "HOME units."
3. Multiply lines 1 and 2.
4. Total number of designated HOME units determined by tenant household incomes and compliance with HOME rent limitations.
5. \$14,000 is the maximum per unit costs allowed by the HOME Rental Rehab Program, except in special circumstances.
6. The lesser of lines 3 and 5 will give you the amount of HOME eligible costs that may be paid with HOME funds.
7. Subtract line 6 from line 1 to determine the amount of gap financing required.

Comparable Unit Method Example A

1. Determine the HOME-eligible costs of the project	\$320,000
2. Determine the percentage of units that will be designated "HOME units"	80 %
3. Multiply lines 1 and 2	\$256,000
4. Number of designated "HOME units"	20
5. Multiply Line 4 by \$14,000 per unit limit	\$280,000
6. Maximum HOME assistance. Take the lesser of Lines 3 and 5	\$256,000

In Example A, there are 25 units and 20 of them are HOME eligible based on tenant household income and rent. Based on HOME eligible costs and the percentage of units that are HOME eligible, the project could apply for \$256,000. Because this is lower than the \$14,000 per unit limit, the project may be awarded the full \$256,000.

Please note that in order to use the Comparable Unit Method, the HOME-assisted units must be spread evenly by bedroom type. The 25 units in our example are distributed as follows: 13 efficiency units; 12 one-bedroom units. In this case, 13 efficiency units times 80% (portion of HOME eligible costs that will be covered by

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HOME funds) equals 10.4. At least 10 efficiency units need to be HOME eligible by tenant household income and rent.

12 one-bedroom units times 80% equals 9.6. At least 10 one-bedroom units need to be HOME eligible by tenant household income and rent.

Comparable Unit Method Example B

1. Determine the HOME-eligible costs of the project	\$400,000
2. Determine the percentage of units that will be designated "HOME units"	80 %
3. Multiply lines 1 and 2	\$320,000
4. Number of designated "HOME units"	20
5. Multiply Line 4 by \$14,000 per unit limit	\$280,000
6. Maximum HOME assistance. Take the lesser of Lines 3 and 5	\$280,000

In Example B, there are 25 units and 20 of them are HOME eligible based on tenant household income and rents. Based on HOME eligible costs and the percentage of units that are HOME eligible, the project could apply for \$320,000. However, most projects are limited to a \$14,000 per unit allocation- in which case total funding would equal \$280,000.

In Example B, the 25 units are distributed as follows: 13 efficiency units; 12 one-bedroom units. In this case, because \$280,000, or 70% of the eligible HOME costs, was awarded, only 70% of the units need to be considered HOME assisted. They will be distributed as follows:

13 efficiency units times 70% (portion of HOME eligible costs that will be covered by HOME funds) equals 9.1. At least 9 efficiency units need to be HOME eligible by tenant household income and rent.

12 one-bedroom units times 70% equals 8.4. At least 8 one-bedroom units need to be HOME eligible by tenant household income and rent.

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Non-Comparable Unit Method of Cost Allocation

A	B	C	D	E	F	G
Unit I.D.	Unit Area	% of Total Unit Area (C/H)	Unit Rehab Costs	Unit share of common costs (Common costs x C)	Total unit costs (Sum D + E)	HOME Unit? Y or N
Totals	H (Sum of B)					

Instructions for Non Comparable Unit Method worksheet

1. Identify each unit in the project.
2. Determine the area of each unit.
3. Determine the total area of living units (cell H), excluding common areas.
4. Determine each unit's share of the value in cell H. (Unit area divided by total of unit areas; i.e., C/H)
5. Determine the HOME-eligible cost of rehabilitation for each unit from bids. Include only the costs of rehabilitation that will occur within the walls of each unit.
6. Determine the HOME-eligible rehabilitation costs of common areas and multiply it by C for each unit. Place the answer in column E.
7. Determine the total cost for each unit by adding across columns D and E and place the answer in column F.
8. Determine which units will be HOME units. HOME units must be fixed.
9. Determine total HOME costs. Add the Column F numbers of HOME-designated units.
10. Determine the average per unit HOME costs by dividing the sum from 9 by the number of HOME units. The answer must be less than \$14,000, or no more than \$40,000 if preserving federally-assisted housing.

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Non Comparable Unit Method Example

A	B	C	D	E	F	G
Unit I.D.	Unit Area	% of Total Unit Area (C/H)	Unit Rehab Costs	Unit share of common costs (Common costs x C)	Total unit costs (Sum D + E)	HOME Unit? Y or N
1	700 s.f.	14%	\$4,000	\$2,800	\$6,800	Y
2	700	14%	\$3,500	\$2,800	\$6,300	N
3	1100	22%	\$8,000	\$4,400	\$12,400	N
4	900	18%	\$8,000	\$3,600	\$11,600	Y
5	800	16%	\$1,500	\$3,200	\$4,700	Y
6	800	16%	\$6,000	\$3,200	\$9,200	Y
Totals	5,000 s.f. H (Sum of B)					

Common Costs = \$20,000

Total HOME costs = \$6,800 + \$11,600 + \$4,700 + \$9,200 = \$32,300

Average per unit HOME costs = \$32,300/4 HOME units = \$8,075. Per unit HOME costs are within guidelines.